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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC-04418/86
23 September 1986

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: [redacted] STAT
Acting National Intelligence Officer for Europe

SUBJECT: September Warning and Forecast Report

I. Main Discussion Item: The Impact among our NATO Allies of FY1987 Cuts in US Foreign Assistance and Related Programs.

A. Discussion. The immediate impact of US budget cuts in security assistance will be to disappoint allies in NATO's southern tier who had expected increased US aid -- not reductions -- during the current round of base negotiations. The major NATO allies will be worried that cuts will eventually affect other US programs -- like the "two-way street" in arms procurement -- and otherwise undercut confidence in the US presence.

1. Base Negotiations. Projected cuts in FY1987 foreign military assistance to Turkey, Greece, Spain, and Portugal are likely to be substantial and will catch those leaderships somewhat unprepared. The cuts will cause new frictions along NATO's southern flank. Tensions will run high but will probably not lead to further base closures beyond those already expected.

These allies tend to see US assistance as a kind of rental fee for US bases, and most have counted on increased benefits from the US in the current round of base negotiations. Major cuts in military assistance will be seen as a significant change in US policy demanding a reordering of domestic priorities and rethinking of assumptions in dealing with the prospect of even deeper cuts in the future.

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-- Turkey. Already worried that the US has been tilting toward the Greeks, the Turkish government and the military, whose confidence in US support was shaken by the arms embargo of the not so distant past, will resent the cuts -- especially if they perceive the Greeks receiving equal treatment. The government for the moment seems inclined to let DECA talks drag into 1987 rather than force the issue of increased aid in return for a new agreement.

-- Greece. [redacted] Andreas Papandreou is evidently ready to renew most US basing rights -- Helenikon excepted -- but is counting on increased US assistance as a way of justifying his turnabout to the Left.

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-- Spain. Gonzalez is bent on reducing US basing rights but has not yet calculated the increased loss of benefits now likely for Spain. The Spanish military, a reserve of support for the US bases, might lose its clout on the issue if Spain were to endure heavy cuts.

-- Portugal. Cavaco Silva expects increased US funding for the vital services Portugal renders. He would doubtless react strongly to a reduction in US assistance -- particularly in light of the strong pitch he made during his visit here for increased US recognition of Portugal's contribution to NATO defenses.

2. Views of the Major Allies. Our principal NATO allies recognize the critical importance of US assistance to the southern flank countries, but they clearly are not going to step in to fill any void in MFA programs. Rather, cuts in US assistance would raise new concerns over US "decoupling" from Western Europe; and proposed new restrictions on awarding SDI research contracts to West European firms could embarrass officials who have pressed for closer cooperation with the US.

-- West Germany. As always, the West Germans will be sensitive to any signs of a weakening of the US commitment to Western Europe's defense; [redacted]

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-- France. French views are ambivalent. On the one hand, the French share West German concerns that the US commitment may be flagging. On the other, they might welcome greater reliance on the European pillar of NATO by the southern flank countries and the prospect of new arms markets.

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-- Italy. Cutbacks in US military assistance to the southern flank would stimulate renewed concern in Italy over regional instability in the Mediterranean. An assumption of new responsibilities might lead the Italian government to foreign policy initiatives at variance with US interests.

3. NATO and EC Institutional Issues. NATO's main concern would be setbacks to force modernization in the southern flank and to their potential reinforcement role. The coincidence of US shifts during the defense Planning Questionnaire on NATO reapportionment this fall with cuts in US security assistance would raise concerns over US intentions. And continued US aid for Israel, Egypt, and Pakistan also will undercut NATO's confidence in its place in US global priorities.

The EC will be sympathetic to US efforts to reduce the budget deficit, but the wealthier EC members will fear new demands from the southern flank countries to compensate for losses in US assistance programs.

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II. Monitoring Items

A. West Germany: Kohl's Electoral Strategy and Prospects

1. Discussion. Buoyed by a strong economy, Chancellor Kohl's prospects are bright. He intends to run on his domestic record and avoid debates with the SPD over foreign and security policy. The chief threats to his reelection are an unexpected sudden economic downturn, a major scandal or gaffe affecting Kohl's personal credibility, or a slide below the 5 per cent barrier by his FDP coalition partners. The consensus question is not whether the SPD can win but whether Kohl can somehow lose.

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B. Turkey: The By-Elections

1. Discussion. The ruling Motherland Party is expected to win a bare majority of vacant seats and retain a plurality in the parliament. Ozal's strategy of playing on the disarray in the opposition seems to be working. If, however, the party failed to gain a majority of seats and fell below 35 per cent of the total vote, it might be forced to call early national elections and create the impression that Ozal is slipping.

2. Warning Notice. If early elections were to be called, the government could no longer keep DECA negotiations out of the domestic political debate. Complicated by growing concern in Turkey over possible cuts in US security assistance, the DECA issue could thrust the US into the middle of a Turkish general election.

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C. Denmark: The SDP Security Program

1. Discussion. The SDP's newly promulgated security program, built around the notion of "non-offensive defense," moves the party a step closer to the avowedly anti-NATO policy of the other major party on the Danish Left, the Socialist People's Party. And unlike Labor in the UK and the West German SPD, the SDP can exert near veto power over government policies on foreign and security matters. It will wield considerable influence during the FY1987 defense debate this fall and could force the government to bend to SDP goals or seek early elections.

2. Warning Notice. If the SDP chooses to push for early elections or seek a partnership with the SPP, its more radical platform would seriously threaten Denmark's commitment to NATO.

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